



2 Precious Metals Miners With Plenty of Upside

Description

Canada has been blessed with an abundance of natural resources, and that abundance makes its way over to the market, where there is no shortage of investments that cater to the mining and energy segments of the economy.

The mining segment is of particular interest lately, as the prospect of higher interest rates, political instability, and overall [market sentiment](#) continue to weigh in.

Two miners that I've grown fond of recently that are worthy of consideration are **Fortuna Silver Mines Inc.** ([TSX:FVI](#))([NYSE:FSM](#)) and **First Majestic Silver Corp.** ([TSX:FR](#))([NYSE:AG](#))

Let's take a closer look at both.

Meet Fortuna Silver Mines

Vancouver-based Fortuna operates mines in both Peru and Mexico, and it maintains sizable land positions in Peru, Mexico, and Argentina. The company's Argentina property in Salta was acquired back in 2016, and the Lindero gold project, as it is known, is currently under construction with commissioning expected to occur midway through next year.

In terms of guidance, Fortuna has pegged production for 2018 to consist of 8.3 million ounces of silver, 48.3 thousand ounces of gold, 44.8 million pounds of zinc, and 25.8 million pounds of lead. Once Lindero is operational, that figure should increase to 185,000 ounces of gold and 8.5 million ounces of silver.

Fortuna is set to announce updated financials for the second fiscal quarter of 2018 next month, but the company has already provided an update on production for the second quarter, which was, in a word, impressive.

Fortuna produced 2.3 million ounces of silver and 14,557 ounces of gold in the quarter, putting the company at 4.7 million ounces of silver and 29,597 ounces of gold for the first half of the year, topping the expected mid-year target by 13% for silver and 20% for gold.

Why should investors consider Fortuna? That comes down to the following two reasons.

First, the company is on track to continue increasing production across its mines, and production will increase more once the Lindero project comes online. While this will provide a boost to earnings, the bigger picture lies in where precious metal prices are heading as well as Fortuna's all-in sustaining costs (AISC).

Fortuna has indicated that AISC for the remainder of 2018 is to be in the region of US\$6.80 per ounce, which is less than half of the already depressed US\$15.30 market price per ounce of silver. To put it another way, Fortuna is already grossly more efficient than its competitors, with plenty of room priced in against potential drops in price. However, if silver prices were to shoot up, Fortuna's margins would increase significantly.

Fortuna currently trades at \$7.20 with a P/E of 17.19.

First Majestic Silver — great results, great potential

First Majestic Silver Corp. is another miner that has recently caught the attention of precious metals investors everywhere. The company recently announced results for the second fiscal quarter this month, which — among other things — showcased an impressive 21% year-over-year increase in silver output, which came in at 2.78 million ounces.

Gold production also saw a sharp increase in production, with the company announcing the production of 25,449 ounces in the quarter, representing an increase of 68% year over year.

Much of that increase can be attributed to the recently acquired San Dimas mine in Mexico, which the company maintains will continue to provide growth for the foreseeable future, while maintaining a respectable AISC in the range of US\$6.99-8.19 per ounce for the remainder of the year.

The addition of the San Dimas mine was also part of the reason behind the company announcing an updated guidance for the rest of the year, with silver production now set to fall in line between 12 and 13.2 million ounces of silver, representing a sharp increase over the 10.6-11.8 million ounces of silver previously reported.

Should you buy precious metals miners?

Both First Majestic and Fortuna represent promising opportunities for investors looking to diversify their portfolios with a precious metal investment. Additionally, while precious metal investments lack the [income-producing opportunity](#) of other investments, what they do offer is an intriguing take on what could be a lucrative opportunity if gold prices decide to head north.

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2. Metals and Mining Stocks

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2. NYSE:FSM (Fortuna Silver Mines)
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